April 1, 1997 to March 31, 1998

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Vision, Mission, Objectives

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Vision

Excellence in grain quality assurance

- We will maintain unbiased third-party objectivity.
- We will do what is good for the entire grain industry.
- The quality of grains, oilseeds and pulses is the focal point of our expertise.
- Quality is anything that enhances the value of Canadian Grain.
- We are a business-like government organization.
    - We will ask "Does it make sense?"
    - We will work to our strengths.
    - We will focus on clients' needs.
    - We will generate an annual operating surplus.
- We will consider commercial opportunities that do not compromise or give away our (Canadian) competitive edge.

Mission

To be a leader in providing grain quality management and quantity assurance, dedicated to excellent and responsive service supporting producers, all sectors of the grain industry and their customers.

Objectives

- Provide a safe and healthy workplace environment and human resource policies which attract and motivate employees
- Offer innovative, efficient and effective services

101-02521/

- Contribute to the marketability of Canadian grain
- Be a major partner in ensuring the safety of Canadian grain
- Monitor and certify the quality and quantity of grain
- Excel in grain quality research
- Encourage a viable, efficient grain handling system
- Enhance the integrity of grain transactions
- Uphold producers' rights

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Who we are

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The Canadian Grain Commission (CGC) is a Special Operating Agency reporting to the Canadian Parliament through the Minister of Agriculture and Agri-Food. The CGC derives its authority from the Canada Grain Act. We

- Regulate grain handling in Canada
- Establish and maintain standards of quality for Canadian grains

Organization

The CGC is organized into the Executive, Corporate Services, the Grain Research Laboratory (GRL) and Industry Services. Our head office is located in Winnipeg, Manitoba. Industry Services comprises five regions: Bayport, Eastern, Pacific, Prairie and Thunder Bay. The CGC employs approximately 750 full-time employees.

Three appointed executive officers work as a team, setting policy and providing leadership. The chief operating officer, also part of the Executive, oversees operations. Appointed assistant commissioners work closely with producers and other industry members in rural development. Assistant commissioners inform producers and the industry about the CGC's role and responsibilities and act as mediators.

The supervisor of grain futures trading oversees grain futures trading at the Winnipeg Commodity Exchange. The chair of the Grain Appeal Tribunal reports directly to the chief commissioner. The Tribunal is an independent committee appointed by the CGC. It examines appeals by those dissatisfied with the grade assigned on an official sample and makes a final decision.

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What we do

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We deliver a grain quality and quantity assurance program that results in consistent and reliable shipments of grain that meet contract specifications for quality, safety and quantity. Quality is Canada's competitive edge in the world market. Quality and quantity assurance services include

- Inspecting grain to certify quality, including all grain received at and shipped from terminals, all grain exported from transfer elevators, and submitted samples of grain from producers and the grain trade
- Certifying weights for grain exports, supervising weighing at terminals, conducting audits of terminal and transfer elevator stocks and inspecting terminal and transfer elevator scales
- Operating a grain registration system for terminal and transfer elevators
- Identifying and explaining the relationships between the physical and biochemical properties of grain and the end-use value of grain
- Developing fast, accurate, economical, and meaningful methods for evaluating grain quality
- Supporting sales and market development by giving technical advice on grain quality and end uses, and by evaluating the quality of plant breeders' lines to ensure that they have the physical and quality criteria needed for registration
- Screening, monitoring and certifying grain shipments to ensure that Canadian grain is not only safe but meets strict international tolerances for toxic contaminants
- Providing information to marketers and processors of Canadian grain on the quality of commercial grain shipments and of each new harvest
- Investigating and resolving complaints and inquiries related to the quality and quantity of Canadian grain
- Providing other specialized services requested by the grain industry

The CGC also regulates the grain industry to ensure the fair treatment of producers and the integrity of grain transactions and to maintain grain quality as grain is moved through marketing channels. Regulation includes

- Licensing eligible grain dealers and elevator companies
- Conducting audits of licensees' liabilities to producers
- Monitoring the financial position of licensees and obtaining security to protect producers in case of a default by a licensee
- Developing and setting grain quality standards
- Inspecting grains and grain handling facilities to ensure freedom from insect infestations
- Collecting and publishing statistics on grain handling, storage, and movement
- Administering producer cars
- Supervising grain futures trading
- Mediating producer complaints concerning grain transactions

We provide other services of value to the grain industry in Canada and abroad, such as

- Operating the Grain Inventory Accounting System and facilitating information flow on behalf of the grain trade
- Providing grain quality data
- Offering general and custom-designed grain industry training courses
- Conducting contract work, for example, repairing moisture meters and analyzing grain for chemical composition

We provide services to CGC staff, such as

- Administration
- Communications
- Finance
- Information technology
- Policy development
- Library

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Highlights of 1997–1998

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With the Canadian Wheat Board, we provided a progress report to producers and grain industry members who were involved in discussions on the future of the wheat quality system.
We introduced Bill C-26 to establish a separate licensing and security system for special crops, and to repeal the Grain Futures Act and transfer the CGC's supervisory authority over the Winnipeg Commodity Exchange to the Manitoba Securities Commission.
We introduced the grain receival service for the official weighing of all grain received at terminal elevators. The new service reduces costs to the industry, assures that weight disputes are settled impartially, and meets the needs of all parties.
We held the inaugural meeting of the GRL Advisory Committee.
A pilot project involving phytosanitary checks conducted on behalf of Agriculture and Agri-Food Canada continued in the Bayport Region.
We explored new ways to apply digital image analysis and near-infrared spectroscopy as adjuncts to the visual grading system.
We carried out further research into new, improved methods for identifying varieties of wheat and barley.
Five CGC grain inspectors received training from the U.S. Grain Inspection, Packers and Stockyards Administration in assigning U.S. grades to Canadian wheat shipped to the United States.
We held grain grading workshops for approximately 200 industry personnel in the Bayport Region.
We increased our use of the CGC web site to disseminate timely crop quality information.
CGC representatives, along with representatives from the Canadian Wheat Board and the Canadian International Grains Institute, attended a grain quality seminar in Shenzhen, China.
We developed service standards in all units.

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Message from the Chief Commissioner

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Quality counts. In 1997–98, that's what we heard from producers across the Prairies and end users in customer countries.

Barry Senft

Canada has traditionally led in world markets because of quality. Now, more than ever, quality is important in grain marketing because customers are more discriminating about it and more concerned about grain safety. But this trend is no secret to Canada's competitors. Australia and the United States, for example, understand what customers like about our grain quality and are devoting resources to grain technology and quality research.

We must stay ahead of the competition. Canada's grain industry has set a goal to double, by the year 2005, its combined capability to process and export grains and oilseeds. The CGC will play a central role in helping Canada be a leader in world grain markets. We are taking measures to ensure the CGC's success as a leader in grain quality and quantity assurance services, as a partner in industry change, and as a third party arbitrator and regulator. Our plans for 1998–99 set us in this direction.

Research

The challenges to which I've alluded could mean greater handling costs and the need for a more complex handling system. All this, while keeping grain prices competitive. How can we, as an industry, collectively meet these challenges?

- Improve quality analysis, making grain handling more efficient on the Prairies and at the ports.
- Reduce reliance on kernel visual distinguishability.
- Improve our competitive position by assuring grain buyers, primary and secondary processors, and consumers that we can supply them with a safe product.
- Increase the potential to develop new varieties to meet special market demands.

The tools to do all this will come from research.

Systems for grain handling and for assuring grain quality and grain safety must be well positioned for the

next century. Research into rapid instrumental objective testing (RIOT) is the focus and it must be collaborative in nature. An industry committee has been formed to oversee the RIOT initiative.

Projects will include developing DNA-based technologies for faster varietal identification; near-infrared spectroscopy for identifying wheat classes on the basis of their functionality; and digital image analysis for predicting end-use quality.

It will cost $13.7 million over five years to carry out RIOT research. Some small-scale projects are already in the works. Over the next year, the industry committee will seek support from the grain industry and from the Canadian government for funds to finance RIOT research.

Identity-preserved systems

Identity-preserved systems will be high on our agenda in the next year. Documentation, quality testing and monitoring are essential for making IP systems work and for protecting the integrity of Canadian grain shipments. A framework establishing who is responsible for enforcement is necessary. The CGC will lead in developing it. In consultation with the industry, we will identify the requirements that companies must follow when IP systems are used.

Updating the wheat quality system

The quality system for wheat has served us well over the long haul, but could restrict Canada's future marketing options. We will continue our involvement in updating it. From consultations with industry and producers, we have decided to take a cautious, market-focused approach to changing the system. Before making any changes, we will evaluate their impact on producers and the grain handling and marketing system.

Emerging trends in biotechnology

What impact will agricultural biotechnology have on the quality control system? How can the CGC apply its expertise in research and grain quality monitoring to genetically enhanced organisms? The CGC is a member of the Biosafety Protocol Advisory Group which provides assistance to the Canadian delegation involved in international protocol negotiations. We will monitor developments in the field to ensure that quality control challenges resulting from those developments are addressed, that we collaborate in related industry initiatives, and that we can respond to the service needs of the grain industry.

Research in special crops

Production of special crops has grown by 300 per cent in the last 14 years. We will provide support to research projects dealing with special crops.

Legislation and regulations

Legislation governing the grain handling system is designed to ensure the quality of Canadian grain at export and to protect producers' rights. Our role is to not only act as a regulator, but to listen to the people affected by those regulations and to respond to their concerns. To continue being effective in our regulatory role, we will conduct a comprehensive review of our services and will amend the Canada Grain Act as required. This will involve consulting with producers and the industry and recommending changes to Parliament.

Grain quality services

Inspection and weighing services on the Prairies. Certifying shipments at the primary elevator. Analysing for infestations before grain is moved to port. A few years ago, the CGC took the germ of an idea and developed the service centre concept.

There is lots of potential in the CGC for providing new services and for expanding our client base for nonmandatory inspection and weighing services. The CGC will develop new markets and target more high throughput elevators, as well as feed, milling and processing companies. We will also offer our services to companies shipping directly into the United States. Our approach is to carry out CGC operations in a business-like fashion and work with clients in making our services relevant to their needs.

Restructuring and reviewing our costs and programs

At the time of the release of this annual report, the CGC has begun planning a review of our services and programs to address a projected $15-million operating deficit for 1998–99. This will mean a complete review of all our services, operations, expenditures and fees.

Over the short term, the expected fiscal year deficit will be addressed. Planned expenditures have already been reduced. On June 22, 1998, 50 positions, most of which were located in Winnipeg, were eliminated.

There are several reasons for the deficit. The CGC generates most of its revenues from services that it provides to the grain industry. Our largest base of revenue is from inspection and weighing, which make us sensitive to fluctuations in grain volumes. Volumes expected for 1998–99 are lower than we had earlier anticipated. This drop in grain volumes will likely continue. More grain is moving to the United States and much of it is sold by specification which means traditional grading and inspection services are not

needed. Less grain is moving to the ports and is being used for livestock feed or for processing on the Prairies. This has and will have a significant impact on our revenues.

As well, our costs have risen. For example, we are facing higher costs because of a move last year to cover continuous operations on the West Coast.

There are issues beyond the need to restructure. To prepare the CGC for the next century, it's vital that we take a long view of our programs, services and costs, and of the benefits we bring to the industry. CGC fees for outward inspection and weighing at terminal and transfer elevators subsidize research, setting of grain standards, regulatory activities and the support we give to marketing agencies and market development. These programs benefit the entire grain industry, whatever its location or its market. Grain moving through the ports, however, pays the entire cost.

These are difficult issues which the CGC will address in 1998–99. We will continue to concentrate our business in the area of grain quality and quantity assurance. We will maintain our close relationship with the industry and with producers.

On a final note, I would like to remember Marcel Dionne who passed away on March 3, 1998. As the CGC's assistant commissioner in the East since 1994, Marcel had many contacts in the domestic grain industry and helped raise our profile in Quebec. He will be remembered for his hard work and his interest in listening to clients and to CGC staff.

As I reflect on Dennis Kennedy's review of our activities in 1997–98, I would like to acknowledge the contribution of our employees during a time that has presented challenges for all of us. Their work represents the quality that makes the CGC proud to be a partner in Canada's grain industry. I am pleased to present their accomplishments in this annual report.

Barry Senft

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Message from the Chief Operating Officer

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Canada has a reputation for quality grain and is regarded by buyers and sellers as a supplier of safe, reliable product. For decades, this reputation has been the foundation for grain sales worldwide.

Dennis Kennedy

In 1997–98, the Canadian Grain Commission made changes to serve producers and the industry, to maintain the integrity of the grain quality assurance system, and to support Canada's grain industry in responding to technological change and the evolving marketplace. Our achievements, our response to emerging issues, and our leadership in grain quality research will help reinforce Canada's long-standing reputation in international markets.

Serving our clients

Bringing CGC services to where they're needed was an important goal in 1997–98. We took various steps to make our services more accessible to our clients. We opened our eighth service centre on the Prairies, relocated our Winnipeg Service Centre to a more convenient location for producers, and moved our Eastern regional office in Montreal to a location that has the potential for upgrading testing facilities.

We redesigned our weighing services at terminal elevators. Our new grain receival service for the official weighing of all grain received at terminal elevators reduces costs to the industry, assures that weight disputes are settled impartially, and meets the needs of all parties.

The CGC Business Group was formed in January 1998. Its focus is the development of new domestic business opportunities for the CGC in areas that match with our expertise. The Business Group includes International Grain Consultation whose mandate is to sell our grain quality and grain handling expertise abroad.

Our business depends on information. Keeping in contact with producers and the industry, listening to their questions—and criticisms—is part of providing information to our clients. In 1997–98, we established a toll-free information line for clients and put a system in place for tracking comments. We are using the system to identify issues, resolve problems, and to spot opportunities for more effectively serving clients.

Our software for grain accounting, the Grain Inventory Accounting System, went live at terminal elevators in

Thunder Bay. This project represents a partnership between the CGC, terminal elevator companies and the CWB. It has improved information flows and streamlined operations for the CGC and the trade.

Updating regulations, repealing outdated legislation

In December 1997, the Minister of Agriculture and Agri-Food Canada tabled Bill C-26 to amend the Canada Grain Act and to repeal the Grain Futures Act. In March 1998, the Bill reached second reading. Bill C-26 achieves two major things. Firstly, it recognizes the unique requirements of the special crops industry and its goal to compete. Secondly, it transfers regulatory authority over the Winnipeg Commodity Exchange to the Manitoba Securities Commission. By doing so, the Manitoba government can regulate all aspects of the commodity futures and options trading industry in the province.

Bill C-26 was developed by the CGC, in co-operation with many stakeholders. On June 18, 1998, the Bill received royal assent.

Challenges in 1997–98

In March 1998, the CGC commissioned the Barley Cleanliness Committee to investigate the problem of deer excreta in barley exports and to recommend solutions to the problem.

The Barley Cleanliness Committee met with representative sectors of the grain industry between March 23, 1998 and April 28, 1998. In its report issued May 11, 1998, the committee recommended a series of measures for ensuring that Canadian grain is acceptable to customers.

The CGC plans to move ahead quickly in working with producers and the industry to implement recommendations that will help us deal with this problem.

Policies to answer changing market needs

In 1997–98, the CGC began working on a policy under which primary elevators would be allowed to receive foreign grain from the United States for processing in, or shipment through Canada. At the time of the release of this annual report, the details of this policy have not yet been finalized. The intent, however, is to facilitate entry of U.S. grain into the handling system. The policy will ensure that Canadian grain classes are not mixed with foreign grain, the quality of Canadian grain is protected, and foreign shipments meet phytosanitary requirements.

A new policy for previously inspected eastern grain came into effect August 1, 1997. The policy means we can issue an export certificate for eastern grain, when a sale is in place and inspections are done in certain

situations. The policy benefits the industry by reducing costs. Furthermore, it protects the quality of other grain in the handling system.

Leading in grain quality research

In 1997–98, we explored new ways of using digital image analysis and near-infrared spectroscopy to support the visual grading system. We carried out further research into new, improved methods for identifying barley and wheat varieties. We hired a plant molecular biologist—a move forward in providing expertise in this field.

The Grain Research Laboratory (GRL) held the inaugural meetings of the GRL Advisory Committee on April 29, 1997. The committee was set up to review and exchange information and provide advice on GRL research programs, emerging market trends and research developments.

I am pleased to present this annual report, the first one that we are putting on our web site. This report shows you our core activities in the past year and the achievements that were particular to 1997–98. It demonstrates our commitment to the quality control system, our interest in working in cooperation with the industry and producers, our leadership in grain quality research and technology, and our support in marketing Canadian grain. I would like to thank all CGC employees for their dedication and service this year, and I would like to thank the grain industry for working in partnership with us.

Dennis Kennedy

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Grain quality standards

Plans	Achievements
Collaborate with Agriculture and Agri-Food Canada (AAFC) scientists on improving testing procedures and developing new tests for evaluating new varieties of Canada Western Red Spring (CWRS), Canada Western Amber Durum (CWAD), Canada Western Extra Strong (CWES) and Canada Prairie Spring White (CPSW) wheat. This will help ensure that the quality of varieties registered for these classes fits new market requirements.	With the Canadian International Grains Institute, the Canadian Wheat Board, the University of Manitoba and Agriculture and Agri-Food Canada (AAFC) —Developing a testing protocol to identify Glenlea quality characteristics in CWES lines for breeder programs and to understand why most markets prefer Glenlea quality With AAFC in Swift Current, Saskatchewan, —Evaluated lines from the CWAD co-operative test by comparing results of accepted indicators of gluten strength in durum wheat, such as SDS-sedimentation, gluten index, mixograph and alveograph to nonstandard indicators, including farinograph, extensigraph, bread dough mixing requirements and baking performance With AAFC and the University of Manitoba —Evaluating instrumental methods for assessing gluten strength of durum wheat varieties —Exploring instrumental methods for assessing cooked pasta texture compared to sensory evaluations
Conduct statistical studies to understand the variability inherent in grading factors that are visually assessed	Progress pending development of the monitoring program
Monitor inspection operations to ensure consistency of service from region to region	Began developing program

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Services in grain quality and quantity assurance

Plans	Achievements
Open a new service centre in Weyburn, Saskatchewan	Officially opened Weyburn Service Centre, October 10, 1997
Start up a mobile inspection office on the Prairies to bring CGC inspection services to the doorstep of producers and the industry	Determined the costs of providing this service Because costs are prohibitive, we are looking at alternative ways of providing this service.
Work with the grain industry to determine the level and type of inward inspection and weighing services needed	Following extensive consultations with the grain industry, — Replaced inward weighing with a Grain Receival Service effective January 15, 1998 The new service relies on improved technology and places increased emphasis on co-operation with terminal elevator operators. CGC staff continue to monitor weighing processes, investigate problems and settle weight disputes. Held regular meetings with the Canadian Wheat Board CWB and industry to determine their needs Identified inward inspection tasks and information that are specific to the grading system and to vessel certification
Implement improvements to the vessel loading process to achieve more	Negotiated commitments with two bulk handlers in Vancouver to install automatic

consistent and reliable results	sampling systems Implemented additional monitoring of vessel loading Definitions of "uniformity" and "increment" were established by a committee comprised of representatives of the Western Grain Elevator Association, CWB and the CGC
Offer weighing services at country elevators to the Ontario Grain and Feed Association	Developing a proposal in the Bayport Region to present to the Ontario Grain and Feed Association
Offer grading workshops for producers to producer organizations in Ontario	Trained approximately 200 industry personnel in the Bayport Region
Expand our program for conducting phytosanitary checks on behalf of AAFC	Continued pilot project in Bayport Region Began discussions on expanding the program into the Prairie Region
Provide our consulting services in various countries around the world and focus on the development of new International Grain Consultation (IGC) projects in South America and Southeast Asia	Provided consulting services to the following countries: — Honduras, Guatemala, El Salvador, Costa Rica, and Nicaragua— Project related to the establishment of a regional commodity exchange — Uruguay—A two-year grain quality project, supported by Canadian International Development Agency — Russia—Study tour in Winnipeg for Russian agricultural officials — China—Project related to grain storage in Zhengzhou. Supported by the Food and Agriculture Organization of the United Nations (FAO) — China—Project related to grain transportation logistics in Nanjing. Supported by FAO — Romania—Grain grading workshops and advice on the establishment of a grain grading system in Romania — Eritrea—Review of problems with infestations in stored grain and recommendations to reduce or prevent future infestations

	— Lithuania—Study tour in Canada for Lithuania agriculture officials

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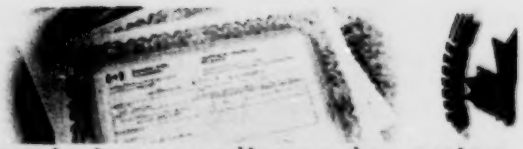

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Market support

Plans	Achievements
Improve ways of promoting the harvest survey so that we can determine crop quality as soon as possible and share this information with marketers	Used a print ad to encourage producer participation in the harvest survey The total number of samples received from producers increased by 13 percent from 1996.
Increase our use of the CGC web site to disseminate timely crop quality information, hence relying less on printed publications	On the CGC web site — Published protein content fact sheets on wheat, barley, oats and rye, beginning September 11, 1997 and ending December 4, 1997 — Published the following reports on the quality of the 1997 crop: Soybean Ontario Canola Ontario Wheat Canola Feed Barley and Hulless Barley Flaxseed Mustard Solin Malting Barley Wheat
Work with the Canadian Wheat Board (CWB) and grain handling companies to improve our services	Worked with the CWB, Manitoba Pool, and U.S. grain companies on shipment of grain through the Gulf of Mexico Made five trips to destination ports to assist exporters in addressing customer complaints and investigate details of the loading and discharge of vessels at designation ports

	Introduced the Grain Receival Service to reduce cost to the industry while maintaining a dispute resolution service We did this in response to the industry's request. Initiated a review of the accountability of the CGC Certificate Final with members of an industry committee involving the Western Grain Elevator Association, CWB, and the CGC Provided increased official inspection services in the Prairie Region for grain shipped in railcars to the United States and Canadian destinations Addressed increased requests for official weighing services

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Customer service

Plans	Achievements
Set, implement and publish service standards for the services we provide to external clients	Service standards have been developed for all units and have been reviewed by senior management. Publication of standards is under review.
Distribute our publications through the CGC web site and providing web access to our library holdings	The library catalogue and some CGC publications are on the web site.
Continue to meet with terminal and transfer elevator managers and operating staff to identify changes in operating procedures and to discuss operational concerns	Developed and implemented a policy on previously inspected eastern grain Met with terminal management to establish the Grain Receival Service for each elevator Offered unofficial grades on truck deliveries of soybeans to Sorel, Québec.
Improve our invoicing system for vessel shipments in the Pacific Region	Improved invoicing in the Pacific Region to provide more information to clients
Implement a complaints mechanism to enhance our service to producers, licensees, and government departments and agencies	Implemented a complaints mechanism The CGC operates a toll-free number for clients to contact for information and when they have a complaint. The number is 1-800-853-6705.
Keep producers and the grain industry involved in the follow-up to discussions on the future of the quality system for wheat	With the CWB —Produced and distributed a report explaining decisions to date on changes to some wheat classes and proposed changes to others

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Be a partner in industry change

- Legislation and regulations
- Grain research and technology
- Information technology

Legislation and regulations

Plans	Achievements
Conduct a comprehensive review of the Canada Grain Act. We will consult with grain producers and the industry.	Delayed project
Introduce a bill to amend the Canada Grain Act in order to establish a separate licensing and security system for special crops. The system will combine affordable, mandatory licensing of special crops dealers with a system of voluntary, producer-funded insurance. Drafting of this bill began in 1996 and is continuing. We anticipate that the bill will be introduced and passed in 1997–98.	Introduced Bill C-26, An Act to amend the Canada Grain Act and the Agriculture and Agri-Food Administrative Monetary Penalties Act and to repeal the Grain Futures Act in December 1997 The Bill received second reading in March 1998.
Repeal the Grain Futures Act and transfer the CGC's supervisory authority over the Winnipeg Commodity Exchange to the Manitoba Securities Commission.	Introduced Bill C-26 The Bill received second reading in March 1998.

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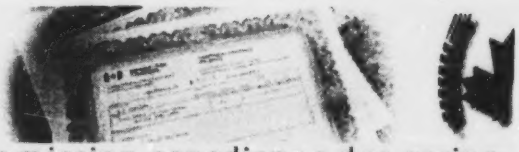

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Grain research and technology

Plans	Achievements
Explore new ways to apply digital image analysis and near-infrared spectroscopy as adjuncts to the visual grading system	Developed an image analysis procedure to assess hard vitreous kernels (HVK) in durum wheat Developing near-infrared (NIR) calibrations, using discriminant analysis and nearest neighbor calibration for identifying wheat classes on the basis of functionality Applied NIR technology to the prediction of falling number, an indication of sprouting damage
Carry out further research into new, improved methods for identifying varieties of wheat and barley	Hired a plant molecular biologist to accelerate the development of DNA-based techniques for identifying varieties Developing a catalogue of DNA-fingerprints for all registered barley varieties, using microsatellite DNA polymorphisms
Further develop the application of digital photography in the production of pictorial guides for CGC grain inspectors and industry inspectors	Developed a visual grading guide for oats Developing a varietal handbook for western Canadian barley
Continue our research into new processing methods and their implications for grain quality	Working on a project to study the effect of ingredients, processing conditions and flour properties on the quality of high volume breads produced from frozen dough and to optimize the

	performance of Canadian wheat flour for these products In co-operation with Asahi Denka Kogyo, a chemical company in Japan, — Studying the effects of monoglyceride level on bread processing, bread quality and crumb texture during storage, with emphasis on the performance of Canada Western Red Spring (CWRS) wheat flour
Convene a meeting of the Grain Research Laboratory (GRL) Advisory Committee once a year	Held the inaugural meeting of the GRL Advisory Committee in Winnipeg April 29, 1997. The committee brings together 18 scientists, marketers and grain processing specialists representing a wide range of GRL beneficiaries from industry, universities and government.

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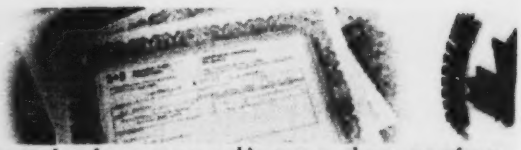

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Information technology

Plans	Achievements
Offer Grain Inventory Accounting System (GIAS) software to operators of transfer elevators in the Eastern and Bayport regions, as well as to other national or international clients. GIAS is a computer-based system of grain accounting. It replaces the paper-based system for documenting grain movement from the time grain enters the terminal elevator until it is discharged from the elevator.	Held an initial meeting with companies in the Eastern and Bayport regions Second meeting cancelled due to weather in the Montreal area
Provide the railways with hourly information of rail car unloads at terminal elevators so that the railways can more quickly reallocate cars	Completed project for one major railway and discussed the concept with representatives of another
Automate our licensing section to speed up the licensing process	Automating licensing section
Produce customized electronic versions of the publication *Grain Elevators in Canada*	Project delayed
Continue automating procedures in collecting samples used in creating primary and export standard samples	Provided software development service to the Grain Standards Area, Industry Services to improve the processes for sample and grain inventory process and for documentation in grain standards preparation
Automate the steps for receiving and tracking grain samples analyzed in the GRL	Installed an improved computer system for all wheat quality data generated in the laboratory for the 1997 harvest survey
Convert to an automated billing system for samples submitted to the Bayport Region for inspection	Project delayed
Continue developing software for use	Ongoing

in vessel loading	

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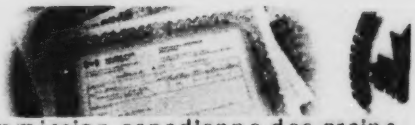

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Achieve human resource goals

Plans	Achievements
We will build on training for employees and managers in managing diversity and change. We will work towards providing equal opportunity for all individuals, promoting a non-discriminatory work environment, and creating a work force that reflects the communities in which we do business.	Hired staff locally, including female weigh staff, for weighing operations at Churchill Hired a cross section of diverse groups that make up the community in the Pacific Region Offered training in the *Basic Principles of a Collaborative Workplace* to many CGC employees The CGC's employment equity plan outlined how the CGC would pursue equal opportunity. Staffing practices supported the CGC's employment equity goals.
To further promote awareness of employment equity, the Employment Equity Committee will schedule at least one awareness activity per target group. The committee will establish a mechanism for employment equity communications in the regional offices of Industry Services. It will also produce a brochure for all CGC employees.	Formed a national steering committee and employment equity committees in each region to ensure effective communication of employment equity messages Published and distributed, to all employees, a brochure on employment equity at the CGC In Head Office — Held awareness sessions for each of the employment equity target groups — Held a panel discussion on women in science
The CGC will provide weighing and inspection staff with training in each other's functions.	Trained staff in a variety of other functions in Eastern, Thunder Bay and Prairie regions and Prince Rupert
We will promote open communication between union and management. We will hold semi-annual union–management meetings with representatives from all regions.	Three union-management committee meetings were attended by national representatives of union and management.
We are offering training in —Managing performance —Using positive communication	Held leadership training, covering the following topics: *—Establishing Performance Expectations* *-Giving and Receiving*

—Holding effective meetings where everyone participates	*Constructive Feedback* *—Resolving Team Conflicts*
We are examining various ways of more effectively measuring work performance.	Established a committee to develop new performance appraisals Industry Services will run a pilot system in 1998–99.
We will develop our employee safety program. In conjunction with our safety officer, safety committees will monitor working conditions. The safety officer will also assess program needs. Our plans include a national safety network to increase safety training and loss prevention programs in the regions.	Established a national safety network with representatives from each region Risk assessments resulted in several new safety programs.
To ensure that employees have the skills that will meet the long-term needs of the CGC, we are embarking on a succession development project. This project will identify the CGC's core skills and will outline plans for continually enhancing them.	Made significant progress in developing a succession development plan Core competencies were identified. Proposal for implementing succession development framework was accepted The next step is to design and run a pilot project in 1998–99.
The CGC will focus on minimizing the impact that fluctuating work loads have on staff.	Employees in a number of locations were affected by fluctuating grain volumes. — Alternatives to off-pay, including the use of vacation or compensatory leave, training, assignments to other locations, and special projects, were successfully used to reduce the need to place employees off-duty.
We will repeat the survey on leadership to measure our progress in improving leadership skills.	Conducted a second survey in all regions and Head Office
We will implement an employee orientation program.	Published and distributed the *CGC Employee Handbook* to all staff through the internet and in hard copy Conducted tours of Head Office and briefings on employee benefits

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Plans	Achievements
	Developed and implemented a policy on services to unlicensed users

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A report on core activities
April 1, 1997 to March 31, 1998

In laboratories, at grading benches, in terminal elevators, and at computers and reception desks, CGC staff work each day to add value to the grain industry. We are responsible for providing grain quality management and quantity assurance services. The expertise of our staff, their commitment to the quality assurance system, and their contribution to providing responsive service to clients help the CGC achieve this goal. Here is an account of our core activities.

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Grain quality standards

- Defining and applying grading standards
- Adjusting grain grades to meet customers' needs
- Evaluating plant breeders' lines

Defining and applying grade standards

The CGC defines grading standards. In Canada, we have two sets of standards, primary and export, for grains exported in significant volume. For lesser-volume grains only primary standards exist and are used on delivery into the handling system, as well as on export from licensed terminal and transfer elevators. Primary standards and specifications are quality criteria applied to grain delivered to primary and terminal elevators. They are also applied at transfer elevators, where grain has not been previously inspected and is delivered directly from the Prairies, and to export grain when export standards are not established. Export standards and specifications are quality criteria applied to grain exported through licensed terminal and transfer elevators.

Grades are assigned on the basis of visual quality characteristics of grain. Some visual characteristics can be measured objectively, while others are subjective.

Standard samples reflect the conditions of the growing season. Each year, the CGC prepares primary and export standard samples as visual guides in grain grading. The GRL tests grain samples to verify that grades have the same processing qualities from year to year. Through scientific testing, the validity of our visual grading system is therefore reinforced.

Primary standard samples reflect the minimum visual quality for the grade represented. They are used as visual aids in grading by the CGC and private sector grain inspectors. Export standard samples reflect the minimum visual quality for grain loaded for export from licensed terminal and transfer elevators.

In January 1998, Industry Services analysed 1 560 samples of lines in co-operative tests, for their kernel appearance.

Under the Canada Grain Act, the Eastern and Western grain standards committees are responsible for reviewing the standard samples put together by the CGC. After the grain standards committees have made their recommendations, the CGC designates the standard samples for the year.

CGC changes primary standard for foreign material in general purpose barley

On August 1, 1997, the CGC reduced the tolerances of foreign material in general purpose grades of barley delivered to primary elevators. The changes were recommended by the Western Grain Standards Committee and were made to enhance the marketability of general purpose barley and to make it easier for terminal operators to ensure the availability of product.

Industry Services specialists use their knowledge and years of experience with grain to prepare standard samples.

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Adjusting grain grades to meet customers' needs

Grain grades in Canada are built on qualities that customers want. Because customers' needs change, grades must be reviewed regularly. Under the Canada Grain Act, the Western and Eastern grain standards committees discuss and recommend specifications for grades of grain and for standard samples for each class and grade of grain. Once the grain standards committees recommend a change, the CGC reviews the recommendation. If the CGC approves it, the recommendation is then published as a regulation in the Canada Gazette.

Rick Wichta, coordinator, inspection programs, presents a proposal for a grade change to the Western Grain Standards Committee.

Allowable moisture levels for select barley reduced

On August 1, 1997, at the recommendation of the Western Grain Standards Committee, the CGC reduced the maximum moisture level for straight grades of select barley from 14.0 percent to 13.5 percent.

Customers of Canadian malting barley

praise the quality of our barley, but have criticized its high moisture content in comparison to that of U.S. and Australian malting barley. The reduction is designed to help marketers by bringing Canada's moisture standard for malting barley in line with world market requirements, where the 13.5 percent moisture standard is common.

Germination is a key process in making malt, and malting companies look for high germination rates in malting barley. Significant respiration occurs in malting barley during storage. High moisture levels increase the respiration rate and may reduce germination vigor. Barley stored at lower moisture levels has a better chance of retaining its vigor.

The reduction in the maximum moisture level means there is less chance the maltster or exporter will reject producers' shipments because of poor germination.

Dennis Langrell, chemist, uses a near-infrared instrument to measure moisture and protein in barley.

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Evaluating plant breeders' lines

The quality advantage which Canadian grain has in the marketplace starts with the development of new varieties. Before a new variety is released to to farmers, it must meet standards for end-use quality, agronomic performance, and disease resistance, as well as requirements for kernel characteristics. The CGC assists in the development of new varieties by evaluating both the kernel characteristics and the end-use quality of plant breeders lines' for various grains.

In Canada's bulk handling system, grain is segregated according to class and grade. For example, several classes of wheat, each visually distinguishable from the other, are marketed through the handling system. New varieties may be added to a class if they

- Meet acceptable standards for quality, yield and disease resistance
- Are visually similar to other varieties in the class and are visually distinguishable from varieties in other classes

Plant breeding involves selecting lines for many generations while putting aside offspring with undesirable characteristics and crossing in new, desirable characteristics including those related to both agronomic

performance, disease resistance and quality. Often more than a dozen generations must be grown from the first crossing experiment to the final release of a new variety.

Breeders' lines which reach the final stages of this process are entered into national cooperative tests which allow them to be assessed against standard varieties across Canada. Data from these tests are reviewed by the Prairie Registration Recommending Committee for Grain (PRRCG) or other committees accepted by Canadian Food Inspection Agency (CFIA) as recommending bodies. The CGC not only participates in the committees but plays a key role in evaluating kernel characteristics and in quality testing of lines.

Industry Services evaluates lines in cooperative tests for kernel appearance. Staff examine the size, colour, germ and other visual characteristics. They also assist plant breeders by examining lines in early stages of development to eliminate lines that do not meet requirements for kernel appearance.

The GRL tests the quality of lines both the wheat and barley cooperative tests. These tests include milling and baking quality, noodle and pasta evaluation, as well as malting evaluation and feed grain quality tests. The GRL also runs a certification process for laboratories contributing data to the canola recommending committee. In 1997–98, the GRL evaluated 172 advanced breeder lines of wheat. These lines represented seven wheat classes grown in nine cooperative tests across western Canada.

As well as supporting new lines for registration, Industry Services inspectors and GRL scientists work with the evaluation committees to make recommendations to plant breeders on what qualities are needed for new varieties. The recommendations are based on our knowledge of changes in domestic and world processing technologies which is gained through our market support activities.

Rollie Desjardins, a pilot milling technician, prepares a coop test sample for milling on the GRL pilot mill.

Highlights of the CGC's involvement at the 1998 PRRCG meeting...

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Eight service centres...and counting

Weyburn, Saskatchewan is the site of the CGC's newest service centre on the Prairies.

The centre opened October 10, 1997. Two CGC employees serve clients located within 100 kilometres of the centre.

Dan Blunt is the operations supervisor at the CGC's Service Centre in Weyburn, Saskatchewan.

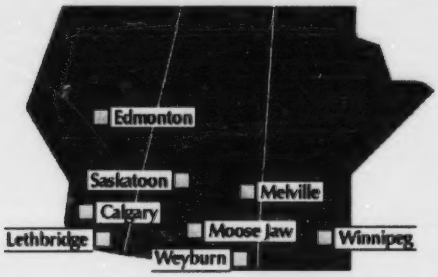
Changes in grain handling on the Prairies mean a greater demand for grain quality services and sound advice on grain quality early in the handing system. The CGC has eight Prairie service centres located so that we deliver our expertise right to producers and primary elevator managers. CGC service centres provide timely, accurate information on grain quality to our clients. For producers, processors, primary elevator operators and operators of seed cleaning plants, our services include official and unofficial inspection, weighing, and certification, protein and moisture testing, and initiating reinspection.

Dan Blunt grades a sample of peas.

CGC staff inspect submitted samples for grade, dockage, moisture content and for pest infestations. As well, wheat samples may be tested for protein content. Staff settle grading disputes between primary elevator operators and producers when they do not agree on the grade, dockage or moisture content of grain delivered to an elevator. This service is called "samples

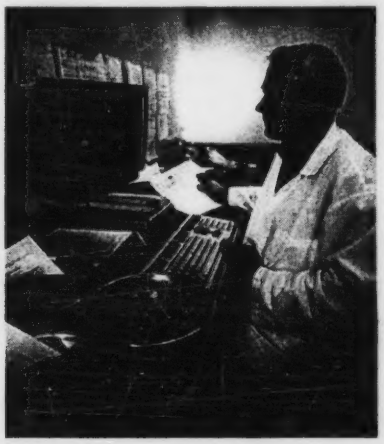
submitted subject to inspector's grade and dockage."

Official sampling and grading services and official testing services for dockage and moisture are available on site at time of loading. On request, CGC inspectors analyse samples for factors the client specifies.



Map of the Prairies showing the 8 service centres

Official Inspection Services...



Information that Ray Holden, assistant grain inspector, records from samples received at the Winnipeg service centre is used to keep track of the sample and in billing.

Winnipeg service centre moves; plans for Brandon begin

On January 12, 1998, we moved the Winnipeg service centre from its offices downtown to a new, larger location. The centre is more accessible to producers and has a room designed for CGC inspection specialists to give inspection and grading workshops.

In 1997–98, we also began plans for opening a service centre in Brandon, Manitoba in 1998–99.

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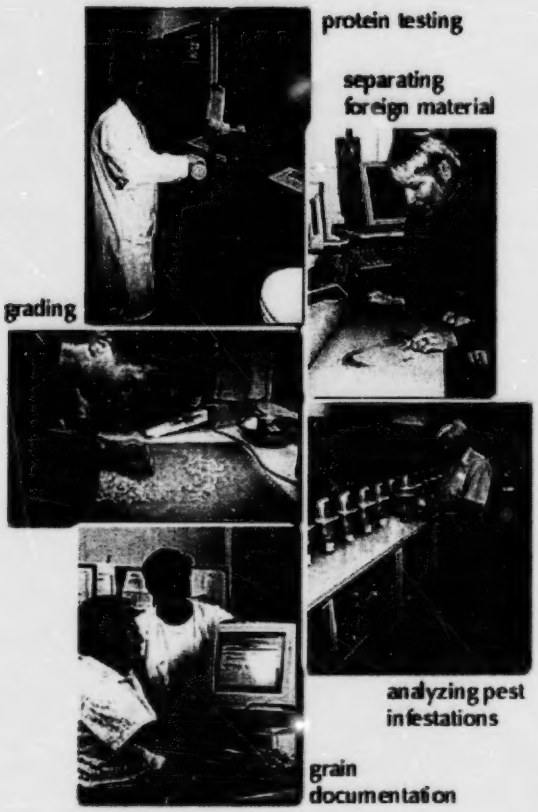
Carlot certification

Canada's assurance of quality relies in part upon our expertise in visual inspection and laboratory testing. When grain arrives at licensed terminal elevators, CGC staff

- Inspect rail cars for possible grain loss due to leaks or damage
- Document the identification of the contents of each carlot
- Monitor weighing
- Sample and inspect the grain from each carlot and assign a grade
- Administer the protein segregation system as required
- Administer the grain inventory accounting system
- Supervise the treatment of grain such as drying, cleaning or fumigation
- Order the terminal elevator to segregate the grain from a carlot if a suspected contamination in the form of chemical odours, stained kernels or foreign material is found
- Analyse samples of suspect parcels to identify contaminating chemicals
- Issue instructions on how to dispose of suspect carlots



CGC inspectors give all inward carlots a visual inspection for insect infestations. Between 15 and 20 percent of these carlots are sampled and then analysed for pest infestations using the Berlese extraction technique. The table below shows that the number of samples analysed in 1997–98 increased from the previous year. This increase happened for two reasons: we increased our sampling from 15 percent, and more grain moved in 1997–98 than in the previous year.

Number of samples analysed by Entomology Section in 1996–97 and 1997–98

Year	Number of samples
April 1, 1997 to March 31, 1998	21 020
April 1, 1996 to March 31, 1997	15 068
Average over five years, April 1, 1992 to March 31, 1997	15 370

CGC introduces a grain receival service

On January 15, 1998 the CGC introduced a grain receival service, a new service at terminal elevators for resolving weight disputes. The service involves investigating problems, settling weight disputes and periodically checking weighing processes. Replacing inward weighing, it relies on improved technology and places increased emphasis on cooperation with terminal elevator operators. It addresses their needs while maintaining safeguards for shippers and producers.

The technology we have implemented in the Grain Receival Service has resulted in a 60 percent reduction in our fee for inward weighing. Service fees have been cut from $14.75 to $5.90 per car.

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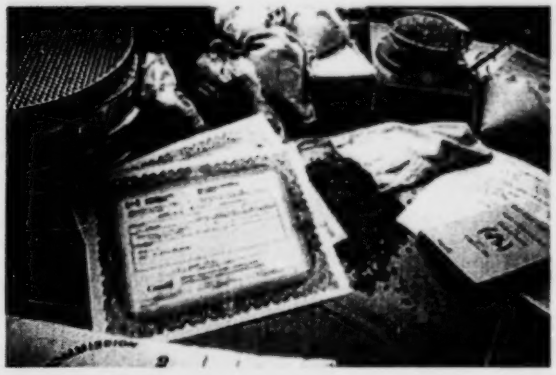
Grain shipment certification

With each cargo that leaves a terminal or transfer elevator, grain is weighed, sampled at regular intervals, inspected and graded, and examined for infestations. Staff document all information from these procedures. The Certificate Final on each export shipment is the CGC's assurance of grade and weight. When a customer requests information other than the grade and weight, we issue a Certificate of Quality.



Certificate Final

In 1997–98, the CGC issued

- A Certificate Final to 3 418 shipments for export
- A Certificate of Quality to 327 shipments for export
- 1 019 certificates for grain to be unloaded in Canada

CGC looks at systems for detecting and analysing for infestations

The CGC investigated techniques that could reduce the time it takes during loading to analyse grain samples for insect infestations and

detect infestations. One system combines near infrared (NIR) technology with image analysis. NIR determines whether or not there is an infestation inside the kernel, and image analysis detects infestations externally. The investigation is continuing in 1998–99.

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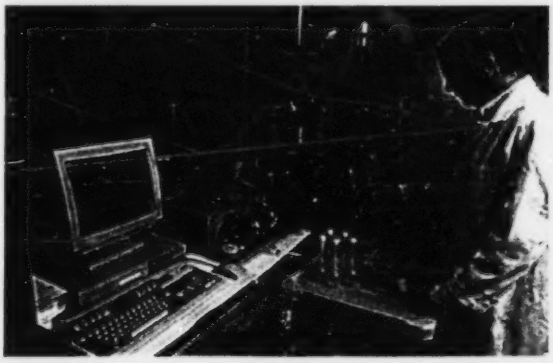
Statements of assurance for grain safety

As grain is loaded onto vessels, it is sampled, sent to the GRL in Winnipeg and tested for a wide range of pesticide residues, mycotoxins and toxic elements. These tests provide the data base which allows for the issuance of statements of assurance related to these substances. Cargo monitoring for grain safety takes place continually. That way we confirm the safety of Canadian grain and the absence of objectionable levels of pesticide residues and mycotoxins. The benefit of the CGC's grain safety program is twofold. Marketers can assure buyers that Canadian grain meets the safety standards of the buyer's country, and Canada is able to provide official documentation on grain safety when buyers demand it as a condition of sale.



Eugene Gawalko, chemist, loads an atomic absorption spectrophotometer, a machine used in the CGC's grain safety program.

The number of customers who require assurances on residues and natural compounds is growing—and so is the list of substances. Each year the GRL develops a grain safety monitoring plan to meet changing demands of the grain market.

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- Grain shipment certification
- Statements of assurance for grain safety
- Cargo investigations address customer concerns
- Certifying export shipments for grain safety

Cargo investigations address customer concerns

The CGC investigates cargo inquiries to satisfy customer concerns about the quality or quantity of exports of Canadian grain. Our investigations may involve the following activities

- Reviewing official loading samples and documentation
- Conducting detailed laboratory analysis of cargo samples
- Conducting on site inspections at unload
- Visiting end users to better understand their concerns and offer remedial advice

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Certifying export shipments for grain safety

Some customers ask the CGC to certify export shipments for grain safety. The information they need is not produced during regular cargo monitoring. In cases like these, the CGC certifies cargoes to show that shipments are in full compliance with contractual conditions for toxic substances as specified in sale agreements. The CGC offers cargo certification for pesticide residues and mycotoxins to marketers and to customers who request this type of cargo documentation. In 1997–98, the CGC provided certification for pesticide residues to customers in Japan and the United Kingdom. We tested shipments of wheat to India for mycotoxins and tested shipments of milling grade wheat to Korea for pesticide residues.

Cargo certification for Japan: 19 analytical procedures, 81 substances

The GRL performs 19 separate analytical procedures for 81 substances in each cargo of wheat exported to Japan. The CGC has a contractual agreement with the Japanese Grain Importer's Association. Complete analysis for the Japanese cargo certification takes 16 days from vessel loading to when the vessel arrives at port in Japan.

Daniel Bockru, technician, prepares a sample for residue analysis by using a rotary evaporator to concentrate an organic solvent.

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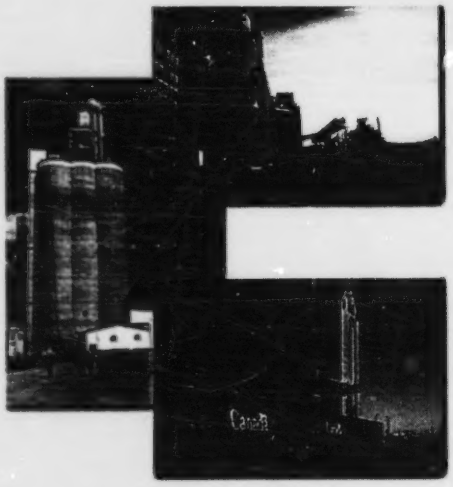
Licensing grain companies

The CGC issues five classes of licences. They are for

- Primary elevators
- Process elevators
- Terminal elevators
- Transfer elevators
- Grain dealers



Licensing ensures that grain companies are financially accountable to producers and that producers are paid promptly if a licensee fails to meet its obligations to producers. Only licensed grain dealers can use Canada Grain Act grade names in their transactions with producers.

The CGC audits licensees' liabilities to producers. Each month licensees report to the CGC what they owe to producers. On examining these reports, we may ask the licensee to increase its security. Besides auditing licensees' liabilities to producers, we investigate producers' complaints about payment. We also monitor licensees to make sure their scales and handling equipment meet licensing requirements and that their insurance against loss by fire or explosion is adequate

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Grain Appeal Tribunal—Western Division

The Grain Appeal Tribunal examines appeals by persons who are dissatisfied with results of re-inspection by the chief grain inspector's office. It is composed of a chairperson, who is a CGC officer qualified to inspect and grade grain, and other members of the grain industry who are qualified to grade grain.

Grain Appeal Tribunal—Official inspections appealed
April 1, 1997 to March 31, 1998

Inspections appealed	Grades left as assigned		Grades raised		Grades lowered	
No.	No.	%	No.	%	No.	%
992	812	81.9	177	17.8	3	0.3

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Market support, at home and abroad

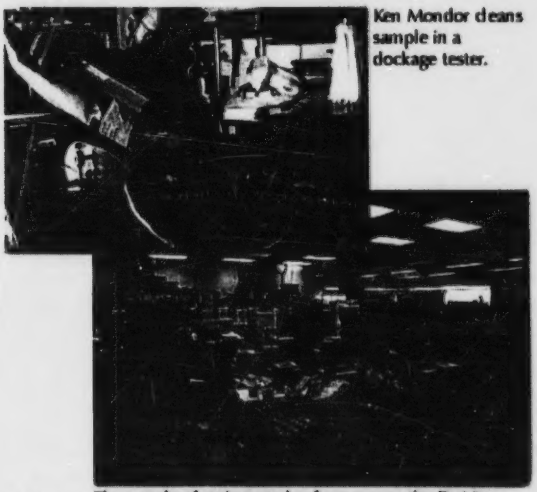
• Results of harvest surveys travel far
• Cargo surveys—a record of performance
• Supporting the work of grain marketing agencies

Results of harvest surveys travel far

Harvest surveys go back 85 years when the Dominion Grain Research Laboratory, as it was known back then, collected wheat samples received by the chief inspector's office and tested them for milling and baking qualities. The purpose was to determine if prices for each grade corresponded to the actual value of the grade. But it wasn't until 1927 when the Laboratory's director realised that the survey results could be put to work as a marketing tool.

Today, harvest surveys are used by marketers and customers worldwide. Reports inform customers of the end-use characteristics they can expect for major classes of wheat, barley and oilseeds.

Varieties eligible for the different classes of these grains have been developed with quality characteristics suited to specific end-uses. In the case of wheat, inbred characteristics relate to high or low protein content, hard or soft endosperm texture and strong or weak gluten strength, different combinations of which may make a given wheat class most suitable for a particular type of bread, cookie, noodle or other wheat-based products. These varietal characteristics are generally consistent from year to year. Specific quality test data, however, may vary with the environmental conditions of the growing season. At the GRL, these quality characteristics are tested annually and then documented in harvest quality reports.



Ken Mondor cleans sample in a dockage tester.

Thousands of grain samples from across the Prairies come through the sample receival room during the

The CGC collects samples from across the Prairies. Historically, grain elevator companies have provided material for harvest surveys. Since 1995, however, producers have been sent grain envelopes and encouraged to participate in the harvest survey. Because the samples received from producers are usually larger, fewer are needed for quality test composites. This means fewer individual tests have to be performed which takes less time. Depending on harvest dates, quality reports can be produced more efficiently and be published earlier.

When samples arrive at the CGC, they are sorted by grain or class, cleaned, graded and tested for protein and moisture content by near-infrared (NIR) instruments. The samples are barcoded, and data are entered into a harvest survey database, and data are used to map the distribution of protein and grading factors. The database is also used for giving unofficial grading information to producers who participate in the survey.

Preliminary information on the quality of the 1997 harvest first appeared on the CGC's web site on September 11, 1997.

In 1997–98, the CGC's harvest quality reports on wheat, barley, canola, flaxseed, and soybeans appeared on the web site.

http://www.cgc.ca/Quality/qualmenu-e.htm

Producer participation in harvest survey increases by 13 percent

In the 1997 harvest survey, the GRL contacted approximately 40 000 producers. The total number of samples received from producers increased by 13 percent from 1996. Individual crop returns increased by

- 10 percent in wheat
- 32 percent in barley
- 56 percent in canola and flax

In total, the GRL received 16 672 wheat samples and 1 570 samples of barley, rye and oats.

The CGC operates a toll-free phone line for giving unofficial grading information to producers on their harvest survey samples. In 1997, 4 118 producers used this service

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• Supporting the work of grain marketing agencies

Cargo surveys–a record of performance

The CGC conducts cargo surveys throughout the year and publishes the results in cargo bulletins. We produce wheat cargo bulletins twice a year and publish flaxseed and canola cargo data on the CGC web site.

While crop quality reports indicate the expected quality of the crop, cargo bulletins show actual performance. Data verifies the consistency of grades and classes from year to year. As an historical record, cargo bulletins demonstrate to marketers and customers that the quality assurance system is working.

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Supporting the work of grain marketing agencies

From Kansas City, Missouri to La Paz, Bolivia, the CGC travelled to 28 countries in 1997–98 to help support the work of marketing agencies. We worked with the Canadian Wheat Board (CWB), the Canadian International Grains Institute (CIGI) and other organizations in market support and development. Our work included evaluating the quality needs of processors, giving them technical advice on using Canadian grain in their operations, and promoting the quality of the 1997 crop to buyers.

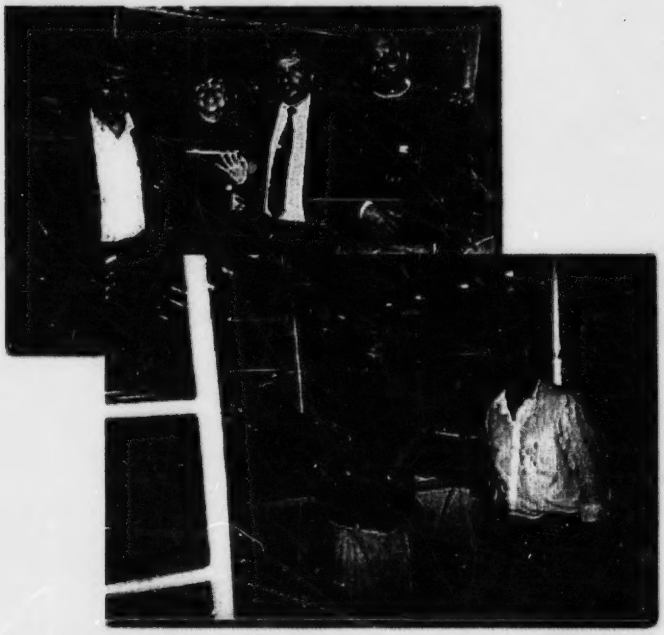
> "So what's it worth to have a few Winnipegers on a first-name basis with millers all over the world? Sometimes it can mean a sale, sometimes an extra few pennies a tonne. It all adds up when you're talking about $6 billion in sales annually."
>
> Laura Rance, columnist, Winnipeg Free Press on a market support mission with the CWB and CGCin La Paz, Bolivia – November 22, 1997

Destinations of market support and technical missions for the CWB and CIGI in 1997–98

- Italy, Spain, France
- Indonesia
- Omaha, Nebraska; Kansas City, Missouri
- Venezuela
- Brazil
- Colombia
- South Africa, Mozambique, Barhrain, Kuwait, Oman, Qatar, and the United Arab Emirates,
- Boliviaò
- Japan
- South East Asia, Vietnam, Malaysia, Indonesia, Thailand
- England
- China
- Philippines, Korea, Taiwan

A large part of our market support work takes place at our head office in Winnipeg. Through CIGI, which is located in the same building as our head office, the CGC provides technical and scientific instruction in courses for grain marketers and buyers, millers, bakers, and malsters. CGC resource people participate in panel discussions and classroom presentations and provide tours, demonstrations and practical sessions in laboratories, in the inspection area and in our library.

In La Paz, Bolivia from left to right:
Francisco López Beltrán, commercial director, La Estrella, a flour mill; Brigitte Sabourin, marketing manager, Latin America and the Caribbean, CWB; Jim Dexter, research scientist, wheat milling, CGC; Ramiro Quevedo, miller, La Estrella.



In September 1997, a market development mission to Cali, Colombia resulted in Canada's first sale of durum wheat to that country. Enrique Payeras (right), administrative and technical director of Harinera del Valle s.a., shows the company's renovated pasta plant to Jim Dexter, research scientist, wheat milling, CGC.

CGC resources provided to courses at the Canadian International Grains Institute (CIGI)...

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Research programs and projects

Research is the basic activity of the GRL, underlying its scientific support to the CGC's grain quality assurance and market support objectives. The conduct of research is international in character and collaborative in nature. Thus its benefits are widely shared among domestic and international government research agencies, scientific organizations, universities and businesses. At the same time, the GRL's research programs and projects reflect Canadian grain quality issues of the present and Canadian grain industry needs of the future.

The breadth and excellence of this work over the past year was demonstrated by the publication of over 50 scientific papers, proceedings of scientific and technical conferences and book chapters, and by over 75 presentations to Canada's customers and at scientific conferences.

The Canadian and international scientific community has recognized the expertise of CGC's researchers by their election and appointment to leadership positions in the world's major scientific and technical organizations. These GRL research activities keep the CGC at the leading edge of grain quality technology.

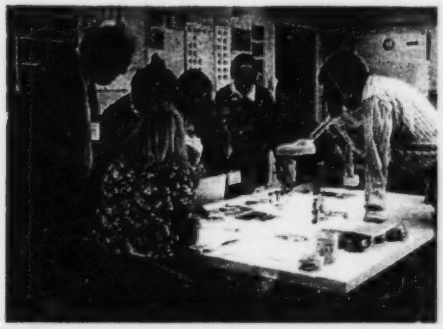
An extensive review of the major research projects, a detailed list of scientific presentations and publications, and a complete description of related activities is available in the *Grain Research Laboratory Activity Highlights 1997–98* on the CGC website.

Representatives of the following organizations visited the GRL to gain technical information:

ZENECA Plant Science	Wilmington, Delaware, United States
Wagga Agricultural Research Institute	Wagga Wagga, Australia
Yamazaki Baking Co., Ltd.	Tokyo, Japan
Ceapro Developments Inc.	Edmonton, Canada
Commercial Seed Analysts Association of Canada Inc.	
Canadian Wheat Board Tokyo Office	Tokyo, Japan
Alexandria University	El-Shatby, Alexandria, Egypt

Hokkaido National Agricultural Experimental Station	Hokkaido, Japan

Seed analysts give favourable review of technical tour at CGC



A demonstration by Randy Clear, mycologist, was one of the workshops in a technical tour organized for participants attending a seed analysts conference in 1997.

On June 5, 1997, 23 members of the Commercial Seed Analysts Association of Canada (CSAAC) visited the CGC for a technical tour of Industry Services and the GRL. The tour involved the following topics and locations:

- Barley kernel visual distinguishability
- Varietal identification—electrophoresis and DNA fingerprinting
- Mycology—fusarium head blight of wheat and barley and blackleg of canola
- Scanning electron microscopy—showing germination and malt process changes to the barley kernel
- Digital photography—wheat varietal handbook
- Pilot malt plant—evaluating new malting barley varieties
- Baking laboratory—demonstrating use of different classes of wheat in different products
- Pilot scale mill—milling new crop of Canada Western Red Spring (CWRS) wheat for the harvest survey
- Asian end products—testing wheat varieties bred for noodles

"I have received nothing but rave reviews of the workshop from everyone who took part. The time spent at each stations was considered short by some but I really feel the program showed how many different areas of your work and research relate to seed analysts."

Connie Jacobs
executive director,
CSAAC
letter to the CGC
June 23, 1997

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Addressing industry needs through policy development

As a service provider and regulator, we are responsible for keeping our policies regarding services and regulations current with changes in the domestic industry and international markets. Reviewing existing policies and developing new ones result in services and regulations that help the industry compete.

Policy development is a collaborative effort with industry, other government departments and agencies. In 1997–98, projects involved several collaborators.

Directive establishes conditions for unlicensed users requesting CGC services

In 1997–98, the CGC issued a directive to the trade establishing conditions under which CGC services are provided to unlicensed users.

The directive means that our services are available to unlicensed companies and individuals who do not require a licence, as well as to companies that are licensed by the CGC. It also ensures that our services are provided equitably to all eligible users. The directive states the conditions under which companies are not eligible to receive CGC services. Inspection, weighing and analytical services are covered under the directive.

We put the directive in place to reduce risks to producers, as well as our risk of liability. Because of licensing requirements, producers are financially protected when they sell their grain to licensees. It's therefore important that producers know whether or not they are dealing with a licensed company or individual. An unlicensed company receiving our services could use those services to buy grain from producers and use official grade names in grain transactions. This use of official grade names could lead producers to assume they are dealing with a licensed and, therefore, secured company.

CGC part of study on impact of user fees on agriculture and agri-food sector

The CGC participated in a study conducted by Agriculture and Agri-Food Canada (AAFC) on the cumulative impact of user fees on the agriculture and agri-food sector. The purpose of the study is to take an inventory of all federal government fees that affect the agricultural sector and to assess their impact. Initiated by Treasury Board, the study involves many organizations, including the Canadian Food Inspection Agency, Industry Canada, Transport Canada, Fisheries and Oceans, and Health Canada. It also involves the an industry advisory committee which is being consulted on project scope, methodology, data gathered, and findings. The CGC contributed data on the fees it charges for services to the industry and producers. AAFC is expected to complete its final report in June 1998.

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Serving customers

The CGC is service- and customer-oriented, and our staff are highly skilled. We adjust services within a competitive industry and regularly review our fee structure. Working with the industry to meet its requirements is an important part of our role as service provider.

Call 1-800-853-6705 for CGC information

The CGC's toll-free information line gave clients a way to ask for information, comment on our services or make a complaint. Inquiries to this line and to any CGC office became part of a database of comments and complaints. We use the database to identify and address problems that clients have with our services.

Bayport Region initiates an electronic certification pilot project

A pilot project on electronically issuing certificates saved companies time and money in the Bayport Region.

The pilot involved five companies. In September 1997, the Region began issuing electronic certificates for guaranteed submitted samples. Instead of delivering hard copy by courier, the Region transmitted certificates on the Internet, and the companies printed them at their offices. Samples received in the morning were issued an electronic certificate the same day. Electronic certification reduced courier costs and took a day less—a significant factor when a shipment has been loaded and is awaiting certification.

Bayport Region streamlines steps for grading samples and issuing phytosanitary certificates

The Bayport Region, in cooperation with the Canadian Food Inspection Agency (CFIA), streamlined the process for grading and issuing phytosanitary certificates. This change was made at the request of the trade and producer organizations.

The CGC and the CFIA developed a one-step method for grading and certifying samples. Instead of sending one sample to the CGC and another to the CFIA, companies now send a sample to the CGC for both services. The Bayport Region grades the sample, performs the phytosanitary analysis, and sends the results to the CFIA which then issues a phytosanitary certificate to the client. The CFIA has trained CGC staff in phytosanitary analyses, and we are fully equipped to provide this service. In 1997–98, we analysed over 1 400 samples.

The CGC library is a centre of information for CGC employees and for our clients in the grain industry and in research organizations worldwide. With subscriptions to 400 journals, newsletters and newspapers, the library provides current information on a vast range of grain quality subjects. In 1997–98, the library answered 2 300 calls for information and requested 1 450 copies of articles from other libraries.

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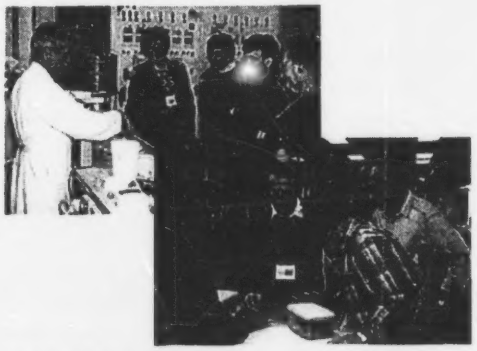
Tours at the CGC

Tours are an everyday occurrence at the CGC. Each year, the CGC welcomes many international and domestic visitors at our head office in Winnipeg and at our five regional offices.

Visitors tour our head office to learn about grain grading and standards, to understand research activities in the GRL and how they are linked to the quality assurance system, and, in the fall, to find out the latest on the quality of the crop. Producers and marketers of Canadian grain often visit to gain more information on our role and activities. As part of the Canadian Wheat Board's *Go with the Grain* tours, we hosted nine tours for 233 producers in total. The following countries were represented in tours for foreign visitors: Ireland, Dominican Republic, South Korea, Mexico, Germany, Great Britain, USA, Australia, Japan, China, Brazil, EEC, Colombia, Panama, Cuba and Mongolia.



'I learned a lot of information and had my eyes opened up as I did not realize what all was involved. I believe that other people could learn from an experience like this.'
Participant's evaluation of Go with the Grain tour.

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Assistant Commissioners— resolving problems, investigating disputes

Assistant commissioners represent the CGC in Canada's major grain growing areas. They are appointed by the Governor-in-Council. Assistant commissioners

- Work with producers and the industry to resolve local problems
- Investigate disputes
- Provide a link between the CGC, grain companies, producers and others involved in the industry

Assistant commissioners respond to producer inquiries and investigate complaints about grain quality, handling and marketing. Where necessary, they act in an ombudsman-like capacity in seeking amicable settlements when there are complaints and disputes involving producers and licensees of the CGC. They also represent the CGC at events such as producer meetings and elevator openings. Assistant commissioners publicize our activities and promote our services

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Publications

The CGC produced the following publications in 1997–98. Most of these publications are available on our web site.

General

- Canadian Grain Commission Business Plan 1997–98
- Grain Grades and Standards fact sheet

Grain handling statistics

- Canadian Grain Exports
- Exports of Canadian Grain and Wheat Flour
- Grain Deliveries at Prairie Points
- Grain Elevators in Canada
- Grain Statistics Weekly
- Producer Car Statistics
- Visible Grain Supplies and Disposition

Grain inspection

- Official Grain Grading Guide

Information for grain producers

- Service for testing grain dryers

Tariff summaries

- Primary
- Process
- Terminal
- Transfer

Series

- Grain Research Laboratory Activity Highlights 1996-1997
- Points saillants du Laboratoire de recherches sur les grains de 1996–97.

Cargo bulletins

- Quality of Western Canadian Wheat Exports 1996–97, first and second quarters, (August 1, 1996 to January 31, 1997)
- Quality of Western Canadian Wheat Exports 1996–97, third and fourth quarters, (February 1, 1997 to July 31, 1997)

Crop bulletins

- Quality of Western Canadian Wheat 1997
- Qualité du blé de l'Ouest canadien 1997
- Quality of Western Canadian Malting Barley 1997
- Quality of Western Canadian Feed Barley and Hulless Barley 1997
- Quality of Western Canadian Canola 1997
- Quality of Western Canadian Flaxseed 1997
- Quality of Canadian Soybean 1997

Crop reports

- Quality of 1997 Ontario Canola
- Quality of 1997 Western Canadian Mustard
- Quality of 1997 Western Canadian Solin
- Noodle quality of Western Canadian wheat 1997
- Quality of 1997 Ontario Wheat
- Quality of Quebec wheat (No. 1 and No. 2 Canada Eastern Red wheat 1997 and 1996 composite samples)

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Our staff

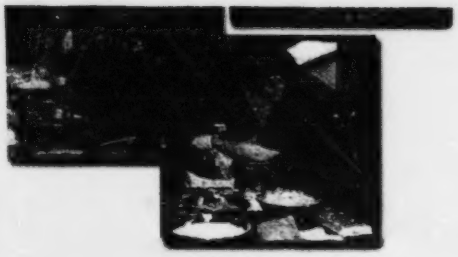
CGC people in the community

Each year, CGC staff celebrate the achievements of Canada's grain industry, educate students about its activities and give them first-hand experience of our workplace, and offer help to our local communities.

Winnipeg International Grainfest is an annual celebration of the grain industry's value to Canada. Thirty CGC staff joined other volunteers from the grain industry to make it happen.

The CGC Wheat Germs compete in the Industry Challenge during Grainfest.

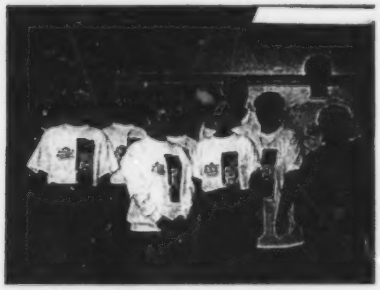
The CGC's Agriculture in the Classroom exhibit provides an interactive educational environment in partnership with Canada's grain industry and education system. In 1997–98, thousands of children and adults participated in the display at events involving our employees across the country. When the city of Thunder Bay hosted a week-long Boy Scout jamboree, our Agriculture in the Classroom display was a major attraction, with 3,000 boy scouts from across Canada and the United States visiting. The display was also one of the highlights of the Thunder Bay's annual Children's Festival.



Our staff also participated in programs to give students workplace experience. For example, the Pacific, Prairie and Thunder Bay regions, along with our head office, participated in the annual Take Your Kids to Work day. Our head office provided work experience to students from Red River Community College in Winnipeg and arranged for students from the Frontier School Division in rural Manitoba to job shadow with GRL employees.

Winnipeg's Flood of 1997 called for help from many people. More than 85 CGC staff took time off to help in the struggle. Many contributed their evenings and weekends. During the ice storm in Eastern Canada in January, CGC staff in the Montreal office persevered in keeping the office open.

CGC offices across Canada supported the work of community organizations. In 1997–98, CGC staff contributed $43 621 to the United Way across Canada. The Thunder Bay Region helped sponsor a golf tournament in memory of one of our employees, Susan Galvin, who died of breast cancer. Over the past three years, the annual Yellow Rose Golf Tournament, organized by family, friends and coworkers, has raised $12 500 for the Northern Cancer Research Foundation in Thunder Bay. Thunder Bay employees have also contributed approximately $9 000 during that time from golf tournaments organized by the region.



CGC employees in Winnipeg show their support for the Children's Hospital Research Foundation on Take Your Bear day.

Manitoba high school student cooks up a storm in the GRL

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Affirm core activities and services

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- Communications
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Grain quality standards

- Collaborate with Agriculture and Agri-Food Canada (AAFC) scientists on improving testing procedures and developing new tests for evaluating new varieties of Canada Western Red Spring, Canada Western Amber Durum, Canada Western Extra Strong and Canada Prairie Spring White wheat. This will help ensure that the quality of varieties registered for these classes fits new market requirements
- Implement a national inspection monitoring system to ensure ongoing consistency from one region to another throughout the crop year
- Enhance the scientific basis of the grain inspection system
- Complete ISO procedure documentation requirements for ISO registration (for identified services under consideration in 1998–99)
- Publish a new Grain Grading Guide

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Services in grain quality and quantity assurance

- Open a new service center in Brandon, Manitoba
- Introduce a national dispute resolution service for weighing provision
- Examine and defining the practicality of using a hardness test to segregate white wheats at delivery to the primary elevator. If the test is practical, a pilot study will be set up to further examine the feasibility of a non KVD quality system for white wheats. There are strong indications that there is market demand for a hard white spring wheat with the same quality attributes as CWRS. It is difficult to develop a hard white wheat that is visually distinguishable from the other white wheat classes.

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Market support

- Improve ways of promoting the harvest survey so that we can determine crop quality as soon as possible and share this information with marketers
- Increase our use of the CGC web site to disseminate timely crop quality information

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Customer service

- Set, implement and publish customer-driven service standards for all major services we provide to internal and external clients
- Distribute our publications through the CGC web site and providing online access to our library holdings
- Continue to meet with terminal and transfer elevator managers and operating staff to identify changes in operating procedures and to discuss operational concerns
- Reduce delays in client invoice documentation in the Eastern Region by developing and incorporating computer software
- Offer library services for a fee to external clients

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Communications

- Maintain a complaints mechanism to enhance our service to producers, licensees, and government departments and agencies
- Improve ways of providing and disseminating meaningful and timely information on the quality and safety of Canadian grain
- Continue to collect and publish elevator tariffs

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Program management

The GRL will establish a working group to develop protocols for evaluating research programs and to establish a written process for deciding on the allocation of resources for new and continuing activities. We will convene a meeting of the GRL Advisory Committee.

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- Quality assurance services
- Legislation and regulations
- Grain research and technology
- Information technology

Quality assurance services

- Spearhead a framework for identity-preserved systems. In consultation with the industry, we will identify requirements for the industry to follow. An established framework will protect the integrity of Canadian grain shipments.

- Work with primary elevator companies when they plan and design high throughput elevators so that inspection facilities and sampling systems can accommodate the CGC when we provide inspection services on site

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- Quality assurance services
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Legislation and regulations

- Conduct a comprehensive review of the Canada Grain Act. We will consult with grain producers and the industry and recommend changes to Parliament.
- Implement amendments to the Canada Grain Act to establish a separate licensing and security system for special crops. The system will be affordable and combine mandatory licensing of special crops dealers with a system of voluntary, producer-funded insurance. We anticipate that Parliament will pass the amendments in 1998.

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Grain research and technology

- Seek increased support for programs aimed at developing and applying rapid instrumental objective testing (RIOT) technology
- Collaborate with other organizations on research into the development of RIOT
- Collaborate with Industry Services in transferring RIOT and other technology to Industry Services and into the grain handling system
- Establish and staff a formal program which

  —Determines the most appropriate quality evaluation methods for GRL programs

  —Records and optimizes the accuracy and precision of GRL methods

  —Carries out methods evaluation

  —Works with International Organization for Standardization (ISO) or other standards writing organizations to improve existing methods where necessary
- Introduce a formal program of Good Laboratory Practices (GLP) throughout the GRL
- Provide appropriate support staff for a formal program of accreditation for appropriate areas of the GRL
- Collaborate with Industry Services in the introduction of joint or collaborative GLP and certification programs
- Provide support to programs and projects dealing with special crops, IP systems, and specification-selling

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Be a partner in industry change

- Quality assurance services
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Information technology

- Ensure all systems, hardware and software are Year 2000 compliant by April 1999
- Market IT services within the industry, including provision of data for a fee, and participating with the industry in new initiatives aimed at improvements in information flow

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Achieve human resource goals

The CGC will continue work on a succession development framework based on core competencies which is designed to ensure that employees have the skills required to move the organization forward and to meet the challenges of the future. For example, a number of senior scientists will be retiring in a relatively short period of time. It is critical for the GRL to recruit young scientists who can step into leadership roles for the future

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Executive

Chief Commissioner	Barry Senft
Assistant Chief Commissioner	Douglas Stow
Commissioner	Albert Schatzke
Chief Operating Officer	Dennis Kennedy
Director, Corporate Services	Marilyn Kapitany
Director, Grain Research Laboratory (GRL)	Keith Tipples
Director, Industry Services	Elizabeth Larmond

Doug Stow
Albert Schatzke
Barry Senft

Keith Tipples
Elizabeth Larmond
Dennis Kennedy
Marilyn Kapitany

Assistant Commissioners

Alberta	Hartmann Nagel
Saskatchewan	Donna Welke
Manitoba	Errol Lewis
Central Canada	Marcel Dionne (passed away March 3, 1998)

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Auditor's report

August 15, 1998

To the Chief Commissioner and Commissioners of the Canadian Grain Commission

We have audited the balance sheet of the **Canadian Grain Commission Revolving Fund** as at March 31, 1998 and the statements of operations, accumulated surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Revolving Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles for Revolving Funds of the Government of Canada as described in Note 2.

PricewaterhouseCoopers

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Balance sheet

	March 31 1998	March 31 1997
	$ ('000)s	
Assets		
Current		
Accounts receivable		
Government of Canada	772	686
Outside parties	4 548	3 678
Prepaid expenses	86	82
Accountable advances to employees	45	18
	5 451	4 464
Capital assets, cost *(Note 3)*	8 948	7 094
Less: Accumulated amortization	5 491	3 792
	3 457	3 302
	8 908	7 766
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	514	326
Outside parties	620	512
Salaries payable	1 912	1 601
Vacation payable	1 255	1 235
Current portion of the allowance for employee termination benefits	837	83
Deferred revenue	113	98
	5 251	3 855
Long term		
Allowance for employee termination benefits	1 257	955
Equity of Canada		
Contributed capital	4 941	4 941
Accumulated net charge against the Fund's authority	(5 068)	(3 009)
Accumulated surplus	2 527	1 024
	2 400	2 956
	8 908	7 766

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Statement of operations

	Year ended March 31 1998	1997
	$ ('000s)	
Revenue		
Services and fees	**50 121**	41 661
Parliamentary appropriation *(Note 4)*	**5 984**	6 381
Japanese certification	**946**	1 083
License fees	**226**	223
Total revenue	**57 277**	49 348
Expenses		
Salaries and employee benefits	**44 225**	39 203
Rent	**3 257**	3 543
Repairs, supplies and miscellaneous	**2 135**	1 964
Amortization	**1 712**	1 887
Travel and removal	**1 608**	1 461
Communications	**972**	968
Professional and special services	**1 053**	1 003
Employee termination benefits	**479**	490
Postage and freight	**329**	365
Loss on disposal of capital assets	**4**	22
	55 774	50 906
Net income (loss) for the year	**1 503**	(1 558)

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Statement of accumulated surplus

	Year ended March 31 1998	1997
	$ ('000s)	
Balance, beginning of year	**1 024**	2 582
Net income (loss) for the year	**1 503**	(1 558)
Balance, end of year	**2 527**	1 024

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Statement of changes in financial position

	Year ended March 31 1998	1997
	$ ('000s)	
Financial resources provided by (used in)		
Operating activities		
Net income (loss) for the year	**1 503**	(1 558)
Add:		
Amortization	**1 712**	1 887
Provision for employee termination benefits	**479**	490
Loss on disposal of capital assets	**4**	22
	3 698	841
Change in other assets and liabilities	**232**	2 092
Net financial resources provided by operating activities	**3 930**	2 933
Investing activities		
Capital assets purchased	**(1 871)**	(1 032)
Net financial resources used and change in the accumulated net charge against the Fund's authority, during the year	**2 059**	1 901
Accumulated net charge against the Fund's authority, beginning of year	**3 009**	1 108
Accumulated net charge against the Fund's authority, end of year	**5 068**	3 009

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1. Purpose and authority

The Canadian Grain Commission was established under the Canada Grain Act in 1912. It became a Special Operating Agency on April 1, 1992. The objectives of the Canadian Grain Commission are to establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets in the interests of grain producers.

Effective April 1, 1995, the Treasury Board approved the establishment of the Canadian Grain Commission Revolving Fund. The Fund has a continuing non-lapsing authority for up to $12 million as a draw-down from the Consolidated Revenue Fund for the provision of regulatory grain services including the market support activity of the Grain Research Laboratory. In addition, the Treasury Board agreed by way of Supplementary Estimates to have the expenditures related to Appointments by the Governor in Council of Assistant Commissioners and the Supervisor of the Winnipeg Commodity Exchange and one-half of the expenditures of the Grain Research Laboratory covered by Parliament appropriation. The maximum amount of the Parliamentary appropriation is $6.55 million.

The Canadian Grain Commission exercises certain responsibilities under the following acts and associated regulations in addition to the Canada Grain Act:

Financial Administration Act
Grain Futures Act

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2. Accounting policies

The financial statements have been prepared in accordance with the reporting requirements for revolving funds established by the Receiver General. The significant accounting policies are as follows:

Revenue recognition

Revenue is recognized in the accounting period in which it is earned through the provision of goods or services, or when an event giving rise to a claim has taken place.

Parliamentary appropriation

The parliamentary appropriation received for the Appointments by the Governor in Council of Assistant Commissioners, the Supervisor of the Winnipeg Commodity Exchange and Grain Research Laboratory expenditures has been recorded as revenue of the Revolving Fund. Parliamentary appropriations relating to employee benefits earned prior to April 1, 1995 have been recorded as an account receivable from the Government of Canada.

Capital assets

Certain capital assets previously under the custodianship of the Department of Agdcufture and Agd-Food Canada were assumed by the Revolving Fund on April 1, 1995. The assumed assets were considered to be contributed capital and recorded at the Crown's estimated net book value. Capital assets acquired subsequent to April 1, 1995 are recorded at cost. Capital assets acquired by the Grain Research Laboratory are recorded net of parliamentary appropriation.

Proceeds from the disposal of contributed assets revert to the Consolidated Revenue Fund. Proceeds from the disposal of other capital assets are retained by the Revolving Fund.

Assets are amortized on a straight-line basis over their estimated useful lives, commencing in the month after acquisition, as follows:

Scientific equipment	5 years
Office equipment and furnishings	5 years
Operational equipment	10 years
Computer equipment and software	3 years
Leasehold improvements	5 years

Employee termination benefits

Termination benefits accrue to employees over their years of service with the Government of Canada as stipulated in their employment contracts. The Canadian Grain Commission provides for the severance entitlements eamed by employees subsequent to March 31, 1995. No accrual has been made in these financial statements for severance entitlements eamed by employees as at March 31, 1995. These benefits are estimated to be $6.8 million at March 31, 1998. They represent an obligation of the Canadian Grain Commission that will be funded by the Treasury Board.

Vacation pay

Vacation benefits earned are recorded in the Revolving Fund's accounts as they accrue.

Pension plan

Employees of the Canadian Grain Commission are covered by the Public Service Superannuation Act and the Supplementary Retirement Benefds Act. The Govemment of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Revolving Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

Interest on drawdown

Interest is charged to the Revolving Fund at a rate set by the Treasury Board. Interest charges are calculated monthly on the balance of the accumulated net charge against the Fund's authority. The Treasury Board does not pay interest when a surplus arises that results in no drawdown against the authority.

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3. Capital assets and accumulated amortization

Capital assets, cost

	Balance April 1, 1997	Acquisition	Disposals	Balance Mar. 31, 1998
		$ ('000s)		
Scientific equipment	2 286	652	–	2 938
Office equipment	579	138	4	713
Operational equipment	247	38	5	280
Computer equipment	2 687	490	8	3 169
Leasehold improvements	1 295	553	–	1 848
	7 094	**1 871**	**17**	**8 948**

Accumulated amortization

	Balance April 1, 1997	Acquisition	Disposals	Balance Mar. 31, 1998
		$ ('000s)		
Scientific equipment	1 229	510	–	1 739
Office equipment	286	154	4	436
Operational equipment	68	30	2	96
Computer equipment	1 541	722	7	2 256
Leasehold improvements	668	296	–	964
	3 792	**1 712**	**13**	**5 491**

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4. Parliamentary appropriation

Grain Research Laboratory

One half of the costs incurred by the Canadian Grain Commission Revolving Fund for the Grain Research Laboratory were covered by Parliamentary appropriation. These amounts are included in the financial statements and are summarized as follows:

	1998	1997
	$ ('000s)	
Salaries and employee benefits	3 754	3 587
Rent	614	730
Repairs, supplies and miscellaneous	475	525
Capital assets	489	361
Professional and special services	118	150
Communications	75	131
Travel and removal	80	97
Postage and freight	29	58
Employee termination benefits	44	50
Total expenditures paid by Parliamentary appropriation	**5 678**	**5 689**
Less: Capital assets charged to the balance sheet	(489)	(361)
Grain Research Laboratory Parliamentary appropriation revenue	5 189	5 328
Appointments Parliamentary appropriation revenue	795	1 053
Total Parliamentary appropriation revenue	**5 984**	**6 381**

Appointments

The costs associated with the appointments by the Governor in Council of the Assistant Commissioners and the Supervisor of the Winnipeg

Commodity Exchange were covered by Parliamentary appropriation. These amounts are included in the financial statements and are summarized as follows:

	1998	1997
	$ ('000s)	
Salaries and employee benefits	528	701
Travel and removal	86	89
Professional and special services	65	85
Communications	49	62
Repairs, supplies and miscellaneous	28	53
Rent	27	51
Employee termination benefits	11	8
Postage and freight	1	4
Appointments Parliamentary apropriation revenue	795	1 053

Employee termination benefits totalling $80 000 were paid directly by Agriculture and Agri-Food Canada out of Parliamentary appropriation.

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5. Lease commitments

Lease commitments under operating leases for office accommodation have been primarily entered into with Public Works and Government Services Canada, Future minimum lease payments over the next five years are as follows:

	$ ('000s)
1999	2 999
2000	2 744
2001	2 564
2002	2 545
2003	677

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6. Contingency

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and may only be used in the event of illness. The amount of accumulated sick leave entitlements that will become payable in future years cannot reasonably be determined. Accordingly, no amount has been accrued in these financial statements. Payments of sick leave benefits are included in current operations as incurred.

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7. Insurance

In accordance with the Govemment's policy of self-insurance, the Canadian Grain Commission does not carry insurance on its property.

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8. Income taxes

The Canadian Grain Commission is not subject to income taxes.

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9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identfy a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Canadian Grain Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Canadian Grain Commission, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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